



USAID/INDONESIA

USAID assistance to Indonesia

In the past several years, Indonesia has experienced some of the most difficult and yet the most hopeful times of its history. The United States Agency for International Development (USAID), a partner for more than 50 years, is helping Indonesia make the most of the challenges and opportunities it faces.

Indonesia's challenges are great. The effects of the Asian economic crisis, which hit Indonesia more severely than any other country in the region, have rippled across the society. Household income has dropped, destabilizing hard-won gains in health and nutrition and exacerbating long-simmering ethnic and religious tensions in parts of the country. Natural resources are under increasing pressure and controls put in place by the former government have deteriorated. At current rates of deforestation, most of Indonesia's remaining forests will be gone within a decade, and with them countless species of plants and animals. Conflict, arising from ethnic, religious and separatist violence and from competition over natural resources has caused the number of internally displaced persons (IDPs) to swell to 1.3 million. Weaknesses in key economic institutions, obscured during decades of rapid growth, have been revealed as fundamental flaws that threaten to derail economic recovery.

These tumultuous times also provide an unprecedented opportunity for the people and leaders of Indonesia to set their nation on a course toward

democracy, sustainable growth, and social progress. A new openness already permeates government and civil society, for the first time giving Indonesians a real voice in decisions that affect their lives. Decentralization of government authority has shifted decision-making authority from Jakarta to *kota* and *kabupaten* — cities and counties — offering a degree of flexibility and public responsiveness lacking in the former system. Local communities in forest and coastal areas, which have always depended on natural resources for their livelihood, are assuming primary responsibility for protecting and managing those resources sustainably. Economic institutions, nearly shattered by the economic crisis, are now in a position to rebuild and restructure to encourage vigorous but sustainable future growth. Political parties, strictly controlled during President Suharto's tenure, have flourished and are beginning to offer citizens substantive choices in the representatives they elect.

USAID works closely with the Government of Indonesia, communities, local governments, universities, local and international NGOs, and other donors to help speed Indonesia's progress through these extraordinary times. Programs focus on building strong and open democratic institutions; promoting vigorous and sustainable economic growth; empowering local communities to effectively function and manage resources under Indonesia's ongoing decentralization; and responding to the country's health and humanitarian needs.

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Building strong and open democratic institutions

USAID's democracy program supports the development and strengthening of democratic society – open and responsive national institutions, a free and responsible media, and an active and informed citizenry.

♦ **Assistance to national institutions** like parliament, the judiciary, and independent commissions is aimed at enhancing the credibility and responsiveness of these key institutions – and countering the threat of popular disillusionment toward democracy.

About 18,000 new parliamentarians have been elected at the national and local levels since electoral reforms of 1998. In USAID-sponsored legislative drafting courses at regional universities, new members are learning both the theory and practice of drafting sound laws — even writing actual draft legislation as part of the curriculum.

♦ In response to a proliferation of ethnic, religious and political conflicts in the past three years, USAID supports public campaigns for peace, dialogues, and other activities to

help build capacity within Indonesia to **mediate and resolve conflicts** peacefully.

♦ Local democracy organizations supported through USAID funding **give voice to Indonesian citizens**. Focusing on a variety of critical issues – human rights, media freedom, labor rights, and government transparency, to name a few – USAID's local partners are at the front lines of Indonesia's development into a free and open democratic society. At the same time, USAID training and support is helping less experienced NGOs develop into strong, sustainable organizations.

♦ Supporting a **free and responsible media** is another critical element of USAID's democracy portfolio. Training programs help journalists balance zeal with the need for accuracy and objectivity. Recognizing the media's potential – both positive and negative – in spreading information about conflict, a special program trains journalists from Indonesia's conflict areas to maximize their role in "reporting for peace."

Promoting vigorous, sustainable economic growth

In the aftermath of the Asian economic crisis, USAID is helping the Government of Indonesia develop economic practices and institutions that will provide a strong foundation for Indonesia's economic recovery and growth.

♦ The cornerstone of USAID's economic growth portfolio is a cadre of **experts working directly with Indonesian government and financial institutions**. These experts bring decades of experience in the development of U. S. and foreign economic institutions in areas critical to Indonesia's economic recovery.

♦ USAID is helping Indonesia implement **effective laws relating to economics**. USAID's partners have contributed to laws addressing competition, corruption, enterprises, arbitration, secured transactions and consumer protection.

♦ USAID assistance supports **public participation in economic issues** by engaging universities, local leaders and ordinary citizens in dialogues about economic issues.

♦ **Microenterprise programs** expand economic opportunity to thousands of small business owners.

♦ **Reforming the energy sector**, which plays a critical and complex role in

Indonesia's economy, is the focus of one of USAID's strategic objectives. USAID works closely with Indonesian government and

nongovernmental institutions and with other donors to assist in the restructuring of the electrical, oil, and gas sectors; develop more equitable energy pricing; promote clean and sustainable energy use; and expand services to the millions of Indonesians who lack electricity.

USAID technical assistance to the Jakarta Initiative Task Force (JITF) contributed significantly to the restructuring of \$14.2 billion in corporate debt — providing financial breathing space to the affected corporations, improving their credit ratings and increasing profitability and shareholder equity.

Empowering local communities

On January 1, 2001, Indonesia empowered its local governments and began a massive process of restructuring relationships among levels of government across the archipelago. This dramatic change -- probably the largest,



Indonesia has 25 cities with populations larger than Boston. With expanded

responsibilities under decentralization and a massive population base, Indonesia's cities are more important than ever before. More than 60 local governments have committed their own resources to work with USAID to improve financial management and increase citizen participation.

most rapid devolution of authority ever undertaken, in any country -- has brought government to the people, empowering citizens to speak out and requiring local governments to respond. Decentralization presents many opportunities for

USAID assistance, across all program areas.

- ♦ **“Resource Cities” partnerships** between U. S. and Indonesian cities offer newly empowered local governments opportunities to draw on the experience of U. S. cities to improve performance. Participating cities share best practices with other Indonesian municipalities, speeding the decentralization process.
- ♦ Through advisors working in key ministries, USAID is helping smooth the transition to decentralization and ensure that **enabling legal, regulatory and fiscal environments** are in place to allow local governments to exercise their new authority.
- ♦ In communities across Indonesia, USAID is helping **develop local capacity** to effectively deliver services, manage budgeting and financial responsibilities, and promote planning mechanisms and practices that enable local participation.
- ♦ To help local governments learn from one another's experiences and share best practices, USAID is supporting the **development of associations of local officials** that advocate continual improvement of local governance.

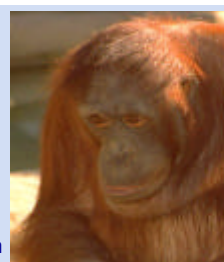
- ♦ USAID's natural resources management program reinforces the primacy of local communities in efforts to **preserve**

Indonesia's forests, protected areas and coastal zones.

USAID and its partners are engaging local governments and indigenous communities in decision-making on land

rights, planning, and enforcement of efforts to stop illegal logging and other activities that are depleting the nation's resources. In partnership with national parks and communities that surround them, USAID assists in developing revenue-sharing arrangements and formal mechanisms for local participation in park management -- a key to stopping illegal logging and other damaging practices in protected areas.

A new USAID activity focusing on preserving forest habitats on Sumatra and Kalimantan is helping protect Indonesia's orangutan population, which is disappearing as forests are destroyed.



Responding to health and humanitarian needs

A healthy population is a prerequisite for building and maintaining a democratic and productive society. In Indonesia, long-standing progress in improving health -- particularly that of women and children -- has

been undermined by the economic crisis. At the same time, ethnic and religious conflicts, natural disasters, and other crises have forced some 1.3 million Indonesians to leave their homes. These internally displaced persons (IDPs) require

assistance to ensure that adequate health care, food, and sanitation are available and that they are able to settle and move on with their lives as quickly as possible.

USAID concentrates activities in select geographic areas to maximize impact, capitalize on synergies and make the most of limited resources. Innovative private sector partnerships, including a national health campaign, resource cities exchanges between US and Indonesian municipalities, and development partnerships with private companies leverage USAID resources.

- ♦ Protecting the health of Indonesia's most vulnerable women and children is the foremost goal of USAID's health, population and nutrition programs. Our international and local partners work closely with key counterparts in the Indonesian government at all levels to ensure that our assistance reaches those most in need.

- ♦ **Reproductive health activities** aim to improve the quality of family planning services, empowering families to plan the number and spacing of their children. Pregnant women and infants benefit from training to give health care providers the skills to better manage deliveries and newborn care.

- ♦ Media campaigns promote critical Vitamin A

Nearly 20,000 Indonesian women die each year from complications



related to pregnancy and delivery, and many more suffer debilitating health problems. USAID is supporting training to improve the skills of Indonesian midwives and campaigns — like *Pita Putih*, part of the international White Ribbon alliance — to enlist community support and preparedness for safe pregnancy and childbirth.

supplementation, giving hundreds of thousands of Indonesian children the opportunity to grow up strong and healthy.

Nutrition and health surveillance systems measure health status of Indonesians and provide data to ensure that these

services are reaching those who need them most.

- ♦ **HIV is rapidly rising** among vulnerable populations in Indonesia. These concentrated epidemics are seen across the archipelago, with estimated HIV infection rates of 27% among female sex workers in Merauke, Papua to 8% in Batam Island, Riau in 2001. A new challenge is the exploding increase of HIV among Indonesia's young injecting drug users. USAID's HIV/AIDS program supports prevention and surveillance interventions for core-transmitter and bridge-population groups in ten priority geographic sites. These efforts aim to reduce risk behaviors in collaboration with central and local government programs, community health care providers, civil society organizations and the private sector.

- ♦ USAID is helping **strengthen health services at the local level** as regencies and municipalities prepare to absorb

responsibility for planning, financing and managing health programs. At the same time, USAID and its partners work to increase

individuals' and communities' knowledge and ability to adopt better preventive health measures and demand better health services.

- ♦ **Internally displaced persons (IDPs)** number over 1.3 million throughout Indonesia. They live in camps or with host families, placing significant burdens on host

communities' food, sanitation, and water systems. USAID works with local and international humanitarian assistance organizations to ensure that victims of conflict and natural disaster have the food, health services, and other assistance they need to face the task of rebuilding their lives.

- ♦ Over 450,000 vulnerable people will benefit from USAID **food-for-work and special supplementary food programs**. Targeted communities benefit not only from food commodities, but also from improvements in public facilities such as footpaths, sanitation facilities, drainage systems, and other infrastructure improvements completed through food-for-work activities.

In Maluku, where Muslims and Christians have been fighting for over three years, movements toward peace have opened the possibility for many IDPs to return to their home villages. USAID works with local partners to assist returning IDPs through integrated programs of rebuilding and economic recovery. After an assessment indicated that more internally displaced persons would return to their villages if schools reopened, USAID sponsored a pilot program of school reconstruction in Southeast and Central Maluku. USAID's local partners worked with community leaders to involve residents — those who remained and returning IDPs — in reconstructing the schools.



USAID assistance to Indonesia

All amounts in millions of U. S. dollars
U. S. Fiscal year 2001

Democracy and governance	32.1
Decentralization and environment	24.4
Economic growth and energy sector	21.5
Health and humanitarian	49.8
Total	127.8